

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6345**

**BILL NUMBER:** HB 1067

**NOTE PREPARED:** Nov 15, 2004

**BILL AMENDED:**

**SUBJECT:** College Contribution Income Tax Credit.

**FIRST AUTHOR:** Rep. Ruppel

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** The bill increases the maximum income tax credit for contributions by individuals to Indiana institutions of higher education from \$100 to \$200 for single returns and from \$200 to \$400 for joint returns.

**Effective Date:** January 1, 2005 (retroactive).

**Explanation of State Expenditures:** The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the changes to this credit. These expenses presumably could be absorbed given the DOR's existing budget and resources.

**Explanation of State Revenues:** *Summary:* The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who make charitable contributions to Indiana institutions of higher education in excess of the current limits for the college tax credit. The revenue loss due to this bill could potentially total \$4.8 M to \$5.2 M in FY 2006 and \$4.8 M to \$5.3 M in FY 2007. The low values assume that the number of individual taxpayers claiming the maximum credit amounts will remain fixed in the future. The high values assume recent annual growth in the number of filers claiming the maximum credit amounts.

*Background:* Under current law, individuals may claim an AGI Tax credit that is limited to 50% of charitable contributions to Indiana higher education institutions up to a maximum of \$100 for a single taxpayer or \$200 for taxpayers filing a joint return. The bill increases the maximum credit amounts for individuals to \$200 for single filers and \$400 for joint filers. As a result, the bill would reduce AGI tax liabilities for individuals who make charitable contributions to Indiana's higher education institutions in excess of the current credit limits.

According to individual tax return data for tax year 2002, 82,741 individual taxpayers claimed approximately \$7.8 M in credits for contributions to Indiana higher education institutions. Of the total, 251 separate return filers and 8,721 single return filers claimed the maximum \$100 credit, and 19,466 joint filers claimed the \$200 maximum credit. It is assumed that taxpayers currently claiming less than the maximum credit would not increase their higher education contributions solely due to an increase in the credit limit. Thus, the revenue loss is assumed to be generated by taxpayers currently claiming maximum credits, and year-to-year growth in this number. From 1998 to 2001, the number of individual taxpayers claiming maximum credit amounts has risen by an average of 2.7% annually. However, this number declined by 2.1% in 2002. The high estimates assume the 1998 to 2001 growth rate.

Since the increase in the credit limits is effective beginning in tax year 2005, the fiscal impact would begin in FY 2006. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

*Impact on Higher Education Institutions:* This bill may result in an increase in charitable contributions to institutions of higher education. The portion of any increase which will be realized by state institutions is not known.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** OFMA Individual Income Tax database.

**Fiscal Analyst:** Jim Landers, 317-232-9869.